

**SECRET**

NRO &amp; USAF REVIEWS COMPLETED

CHAL-0942-60

Copy 6 of 6

6017

MEMORANDUM FOR THE RECORD

07 APR 1960

SUBJECT: Field Trip 29 March-1 April 1960

1. Purpose:

25X1 [redacted] visited a number of locations having current problems in the security and procurement areas. The most important reasons for the trip were as follows:

25X1 a. Further pressure to close out the last two contracts at [redacted]

25X1

25X1 b. Discussion of closeout of GUSYC contracts (remaining two) [redacted]

25X1 c. Exploration and discussion and attempted solutions to the pressing problem of sales and usage tax problems with LAC, Minneapolis-Honeywell, [redacted] Perkin-Elmer, and Pratt & Whitney. This item, unless individually solved at each plant, results in either disclosures or approximately [redacted] additional dollars required on the CHALICE program and relief for several contractors, primarily Lockheed, as far back as the CHALICE program.

NRO  
25X1

25X1 d. Accountability problems on contract work [redacted] and the base operations support which LAC is also furnishing under the same contract. This problem must be solved in the very near future because of current shipments [redacted]

25X1

25X1 e. Contract discussions with Minneapolis-Honeywell at St. Petersburg, Florida. To date, none from the Contract Branch have met the business personnel at this plant.

25X1

25X1 f. Insurance that [redacted] will be completely familiar with all programs in my absence and particularly in view of the fact that there will be a new Contract Branch Chief in 2 months (1 Jan. 1961) and while he will have sufficient overlap would no doubt appreciate a fully informed Deputy.

25X1

25X1 g. Current funding briefing on C, C<sup>1</sup> and A by [redacted]  
LMBD.

25X1

**SECRET**

**SECRET**

2. Specifically, the items discussed were as follows:

20 March 1960-1630- [ ]

a. Contract No. [ ]

There are four pieces of residual property remaining under this contract which must now be transferred to an AF contract administered locally by the AGO, prime out of EAFB. A letter will be forwarded to Lt. Col. Brewer, ATTN: BUMPS, listing these items and recommending they be picked up under the AF contract. [ ]

[ ] would endorse letter and Lt. Col. Brewer will request Mr. Wagner at EAFB and the AGO, Culver City to pick up the property.

25X1

Action- [ ]

20 March 1960-1930--IMD

a. CORONA-The Contractor is desirous of knowing our desires on camera #5 presently on the east coast. They desire to complete delivery and acceptance of all units in near future. The contract provides for flight check of units prior to launch. Action-Development Branch.

b. CORONA Prime

(i) The Contractor furnished us a list of equipment required for the program. These items were contemplated at the commencement of the contract and included in the price. Approval required. Action-Development and Contracts Branches.

(ii) The fluctuations of the G.E. quotation on both the C' and A programs greatly concerns the Contractor. While G.E. will accept the original quotation on both programs, IMD is unofficially concerned about both cost and delivery schedule.-Information.

(iii) The White vs Black program relationship after 30 June was discussed. Some normally White items will go black since no white shots (i.e., G.E. Field service, retrorocket development, if required)-Information.

c. ABSON

(i) The question of whether 4 or 6 units are required was raised. Action-Contract and Development Branches.

(ii) The Contractor furnished equipment lists for approval. Action-Contract and Development Branches.

**SECRET**

NRO  
25X1  
  
above. Information.

25X1  
  
(iv) PGIC additional work in the amount of approximately [redacted] Action-Contract and Development Branches.

25X1  
  
29 March 0800-100 [redacted]

25X1  
  
a. Contract [redacted]

NRO  
25X1  
  
The following items remain to be done prior to final settlement:

25X1  
  
(i) Certificate of residual property to be transferred to the Government Property boneyard (residual property, development areas). Action: [redacted]

NRO  
25X1  
  
(ii) Audit of costs and overhead determination-AF Auditor will be there this month. Action: [redacted] AF Audit Liaison. 25X1

25X1  
  
b. Contract [redacted] (CHAL-CIETO)

25X1  
  
(i) Audit of costs and overhead determination-Action: [redacted]

25X1  
  
(ii) Settlement of remaining subcontracts and submission to Contracting Officer by April 20, 1960. Action: [redacted] 25X1

25X1  
  
(iii) Property listings by May 20, 1960-Action: [redacted] 25X1

25X1  
  
(iv) Based on determination of AF need for item (Gene Klefer to furnish [redacted] with report) prepare storage agreement for property (if requirement) or issue destruction or disposition instructions if no requirement. Action-Gene Klefer, [redacted] and Contract Branch.

25X1  
  
(v) Destruction of all documents but copy of sanitized report to be retained by Contractor. Action-Security.

25X1  
  
(vi) File safe to be returned to [redacted] Action-Contract Branch.

NR  
25X1  
  
29 March 1030-2000 LAC

a. Contract [redacted] (CHAL-CIETO)

25X1  
  
A check in the amount of approximately [redacted] is being held pending identification of submitted reports with those required

~~SECRET~~

by the contract scope. After discussing the problem, [redacted] agreed to submit the necessary data. A residual property listing is also required. Action-LAC.

25X1

NRO  
25X1

b. Contracts [redacted] (CHAL)

The following items remain outstanding prior to final settlement.

(i) DPD-1116-69 dated 8 Feb. 1960 requested an inventory of tooling at Vendor's plants totaling [redacted] and disposition data on residual [redacted]. Action-LAC.

25X1

25X1

(ii) The [redacted] settlement has now been approved but the appeal to the Armed Services Board of Contract Appeals is still pending. LAC also overlooked a [redacted] which we had earlier suspended, and which is now a good claim. [redacted] will furnish a letter recapping the above items as well as the Personal Property tax refund problem. Action-LAC.

NRO  
25X1  
25X1

NRO  
25X1

c. Contract [redacted] (OXCART)

The following items were discussed separately with [redacted]

25X1

(i) Purchasing System-On the CHALICE program a memorandum of understanding was signed early in 1955, setting forth our relationship on approval of subcontracts. We did not desire to disturb this relationship but did wish to review the entire system to determine whether any significant aspects of the program had changed. We found that the Contractor was not aware of our capabilities to support them in the Audit field in major subcontracts. The use of [redacted] and DOD Auditors is in the interest of both Headquarters and the Contractor, and [redacted] was quite surprised and pleased we could support him in this area. LAC will furnish a list of projected requirements for price analysis and other audit support in the near future. Action-LAC.

25X1

25X1

(ii) Tax Problem-On the CHALICE program the [redacted] was used as a shipping address on sensitive items. No sales tax was paid since the items were for resale and LAC had an exemption certificate for this purpose. Now the sales tax people are auditing the [redacted] suppliers and want to know why the tax was not paid. Further, [redacted] has been used as well as two other shipping addresses on the OXCART program. [redacted]

25X1

[redacted] to prevent paying the tax it is essential that arrangements be made to do the following:

(a) Clear a person in the California State Tax Commission and brief him sufficiently for him to assure the local

-1-

**SECRET**

25X1  
25X1  
tax Auditors that no problem exists and if possible obtain an exemption certificate for [ ] and other names to be used by LAC without meeting the normal state requirements for the resale certificate. [ ] will get the names of the Tax Commissioner who should be cleared and the names of the local tax Auditors who have made inquiries (thus far two on the CHALICE program). Action-LAC.

25X1  
25X1  
25X1  
25X1  
(iii) Shipment Problems-During the CHALICE program the end item was accepted FOG Contractor's plant for purposes of payment transported [ ] at the risk of the Government and the Contractor assumed responsibility through flight test until acceptance of the unit. The Material Branch feels that the Contractor should assume all risk through flight test and final acceptance. Since under this approach the Contractor would desire insurance to cover the shipment of the item from Burbank [ ]

[ ] we recognized that certain information would have to be furnished to the insurance company both on applying for and claiming under such a policy. Parties discussing the problem were not very optimistic that this could be done but [ ] will discuss the type data necessary with his company personnel. Action-LAC.

25X1

25X1

25X1  
25X1  
25X1  
25X1  
(iv) Property Accountability-The Contractor presented shipping documents for support items being furnished to [ ]. The items cover base operation, maintenance and spare parts for the pole, etc. and development items which under any normal development contract would be considered a part of the contract scope. The Material Branch indicated prior to the trip that they desired to pick up accountability only after delivery of the end item and all bits and pieces furnished to [ ] in furtherance of this would merely be considered an extension of the Burbank plant. This is commendable and should be done. However, it is impossible to separate the supplies used for the contract item from the base support furnished (i.e., plywood is used for the model and maintenance and repairs of the base). The Contractor as in the last program included in his quote a designated sum for miscellaneous base support items [ ]. If from a material viewpoint accountability should not be assumed for delivery of any items to [ ] until final acceptance of the end item, all base support items should be separated from the Contractor's quotation and [ ] be required to support [ ] without the Contractor furnishing base operation and maintenance support under this contract. Action-Contract & Material Branches.

25X1

25X1

25X1

25X1  
25X1  
The Contractor will also discuss this matter with [ ] and the AP Auditor this week. A decision must be reached very soon since the Contractor must continue to ship items [ ] to meet the schedule.

25X1

~~SECRET~~

(v) MISCELLANEOUS

Discussed in separate meetings with suppliers who were present for technical discussions their need for equipment and other contractual support. IBM-Moneywell will need a go-ahead on equipment and help on obtaining some special equipment. [ ] needs the use of a special piece of machinery costing in excess of [ ] on the billboards. A letter will be furnished giving details so that we can try to locate the piece of equipment for them. Discussions were held on the scope of our consulting contract and when the scope should be a direct purchase order such as [ ] work for P-L. At approximately 1930, [ ] gave us a tour of the area so that we could keep abreast of the work and problems relating thereto. Action-Contract Branch.

25X1  
25X1

25X1

25X1

NRO  
25X1

[ ] March-COMVAIR, Ft. Worth

(a) Contract No. [ ] (CUSTO)

We discussed contract and security problems remaining to effect close-out of this contract as follows:

(i) Cost Data-The Contractor furnished a cost summary through 3 March 1960 indicating a balance of [ ] remaining of the [ ] allotted to the contract. No technical work was to be completed provided the rough draft of the final report is all we will require. Some of the funding will be required to disassemble and destroy sensitive items and miscellaneous other items incident to final settlement. The balance is more than enough to cover all of the foregoing. Action-Development & Contracts Branches.

(ii) Models-The Contractor was advised that it is relieved from accountability of models and material left [ ] unless further notified. The Contractor recommended destruction of all models at the plant except the wind tunnel model which it wants to retain. This also included GFP models from San Diego contract. Action-Development and Contract Branch.

(iii) Raw Materials-The Contractor was given oral instructions (to be confirmed in writing) to scrap all sensitive items and transfer all possible usable items to AF CPOF inventory at no cost. Action-Contract Branch.

(iv) Tools and Fixtures-The Contractor was advised to dismantle and scrap. Action-Contract Branch.

(v) Facilities-The Contractor has a current shortage of items which they purchased under our contract (calculators, etc.)

NRO  
25X1

25X1

for use on other AF work. They requested we leave any items we can and these will be picked up on their AF facilities contract.  
Action-Contract Branch.

(vi) Reports & Data-The Contractor will furnish us with a copy of all reports that we do not presently have. They desire to destroy the masters and all copies. They will sanitize and keep technical data which will be of value to other programs.  
Action-Contract & Development Branches.

(vii) Return of TS report-The Contractor will return (hand carry) a special report furnished [redacted] by Mr. Klefer.  
Action-Contractor.

25X1

(viii) Drawings-These will be retained by the Contractor after being sanitized. Action-Contract Branch.

(ix) Miscellaneous-The Contractor desires a letter indicating completion of the work. It has furnished patent disclosure and will furnish a GPP statement. The Contractor needs 120 days to dispose of residual inventory, and audit can be completed by next September with close out by 30 Sept 1960. Action-Contract & Development Branches.

2 March (1400-1900)-Minneapolis-Honeywell.

(a) Discussions were held concerning contract and security matters with [redacted] the following major items were covered:

(i) Quality Control-The Contractor will not use the AF inspector. Information.

(ii) Technical Liaison-The Contractor wanted to be sure from whence technical approval came, Lockheed or Washington. We explained that they must look to Lockheed for direction but in the event of disputes had recourse to Washington. It will be necessary, however, if not already done, for guidelines to be established as to what type of technical decisions made by LAC involving direction to Minneapolis-Honeywell to proceed must have Headquarters approval. Action-Development & Contract Branches.

(iii) Record of Technical Discussions-The Contractor prepares a record of all technical decisions agreed upon at meetings (signed by persons attending), and informally records technical decisions agreed to on the telephone with copy to the other party to agreement. We indicated we saw no objection to continuing this procedure provided it did not delay the program.  
Action-Development & Contract Branches.

-1-

~~SECRET~~

(iv) Specifications-Performance specifications will be required, but detailed model specifications would not be required. Action-Development Branch.

(v) Qualification Testing-It would be the responsibility of the Contractor to satisfy the airframe contractor in this area. Action-Development Branch.

(vi) Technical Manuals-Mil Spec. manuals will not be required, particularly since the Contractor has field responsibility. Action-Development Branch.

(vii) Monthly Technical Reports-These will be furnished as required by the contract. Action-Development Branch.

(viii) Financial Reports-The Contractor will furnish prior to the tenth of each month a statement of prime expenditures and subcontractor commitments to date and an estimate to complete. If the total of these two items differs from the previous estimated cost an explanation is required. The Contractor will furnish a report showing estimated expenditures and commitments through 30 August 1960. A budgetary report showing estimated field support (tech reps), maintenance and overhaul costs and spare parts costs will be furnished for FY 61 and FY 62. Action-Contractor.

(ix) Clearances-Both [redacted] secretaries will have to be cleared since phone calls and typing on the program will be their responsibility. Action-Contractor & Security.

25X1

(x) Audit Liaison-The Contractor was advised that [redacted] had audit cognizance and would be in touch with them in the future. The Contractor was concerned that overtime for the program would not be accepted by the Auditor in the Minneapolis plant since overtime formal approval would not have been received. He explained that [redacted] probably could solve this problem for us by contracting Minneapolis. Action-[redacted]

25X1

(xi) Capital equipment-The Contractor was advised that we could make arrangements for its personnel to look for the capital equipment listed in their proposal in the amount of [redacted]. The purpose is to reduce capital expenditures by furnishing the item for its use. Any material so located will be put on the Contractor's facilities contract. Any items procured by the Contractor will be carried under our contract number. The contract must include a no charge for use clause of facilities on Contract No. [redacted] at St. Petersburg, and [redacted] in Minneapolis. And a provision for use of tooling acquired under [redacted] Action-Contract Branch.

NR  
O25X1

NRO  
25X1  
NRO  
25X1

25X1

25X1

NRO  
25X1

**SECRET**

(xii) Overall Security-(a) Letters will be on an informal basis using first names without company name indicated on letter or double envelopes. Reports and data will not be marked as classified but will be handled as such. However, if the document would be conspicuous by being unclassified (i.e., classified specifications for components used in normal work and always classified) it would be classified to conform to the normal system. (b) Billings-The Company name may be on billings, but double envelopes must be used. Information.

(xiii) Miscellaneous-[redacted] requested another copy of the Contracts-Security instruction sheet. Action-Contract Branch.

25X1

(xiv) Additional contract discussions-A number of items were discussed which will not be mentioned here. [redacted] will arrive next week so that he and [redacted] (Miss.) can agree on a company position on some of the items and then definitive contracts can be negotiated with both individuals. Action-Contractor.

25X1  
25X1

1 April 0930-1430-Pratt & Whitney

25X1

(iii) Plant Cognizance-The Florida plant has been under Navy cognizance. The Navy has little work in house and has available quality control and other support. The AF will soon negotiate a contract for MAGI and might be attempting to take over plant cognizance. Information-Development.

**SECRET**

(iv) Capital Equipment-The requirement for the hot Fuel Gas altitude chamber was reviewed by the Contractor some time ago. It was determined that it could be deleted from the list. We had raised this question earlier since it was 90 feet long and would have to be transported by barge. The Contractor still feels, however, that the chamber would be good insurance since the present system can only simulate an 82,500 altitude. Action-Development Branch.

(v) Definitive Contract-In view of the unknowns involved in the production contract the Contractor feels a price redeterminable contract would be best. Accordingly, in about September 1960 cost data will be such that we will establish a target and ceiling. The Development contract will be again reviewed at the same time. Information.

(vi) Miscellaneous-We discussed tooling, learning curves and were introduced to Comdr. Jennings, the BuNePS plant representative. Information.

25X1

25X1  
Dirct, Contracts Branch, DDC

DDP-DD/P:D. [REDACTED]

(7 April 1960)

Distribution:

Orig-CB/DDP  
 2-ND/P  
 3-1/C/DDP  
 4-Dev. Br./DDP  
 5-Mat. Br./DDP  
 7-Chrone/DDP

[REDACTED]

ILLEGIB

**SECRET**  
**SECRET**